



Economic Vitality: Responding to our business customers

Benefit Payments

Employment Security and Labor & Industries

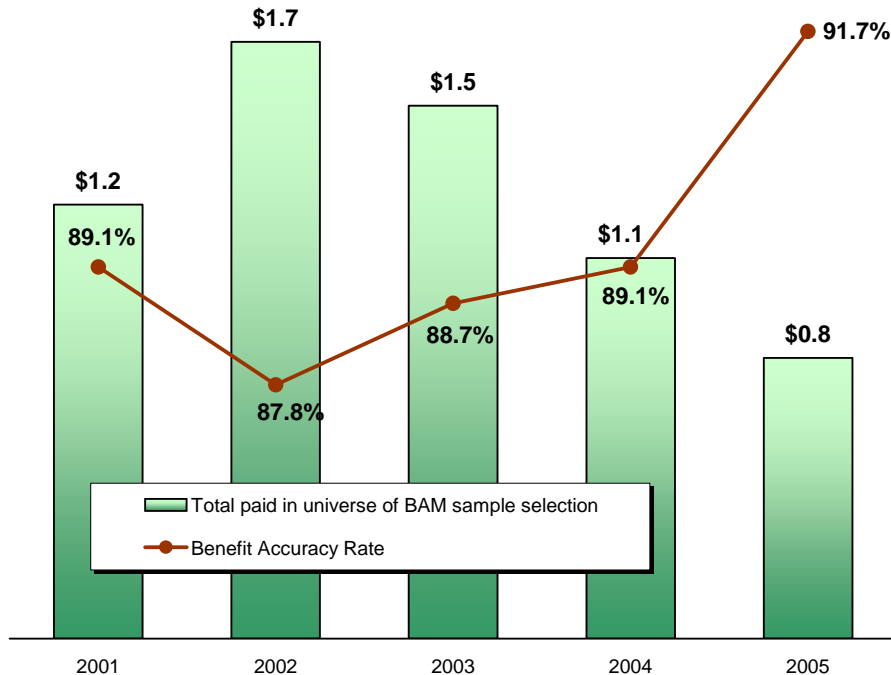
September 6, 2006

Evaluation of Benefit Accuracy

How do we measure accuracy of UI benefit payments?

In 2005, the accuracy of benefit payments reached a five-year high

Dollars in billions



Analysis

- One way ESD measures accuracy is through the Benefit Accuracy Measurement (BAM) tool, a federally-required and standardized method that analyses UI payments and points the way to corrective actions.
- Representative random samples of UI payments are drawn weekly and examined intensively to detect errors.
- Improved technology and processes have greatly impacted accuracy.

Action Plan

- The results of BAM audits that identify the key types of errors and responsible parties will continue to be routinely shared with managers to recommend computer system changes and training needs.

Data Notes: *Source: US Department of Labor, Benefit Accuracy Annual Reports.*

BAM: Benefit Accuracy Measurement – a federally standardized method of gauging quality.

Unemployment Insurance Division

How does Washington compare with other states?

State	Total Number of Fraud Cases
California	135,055
New York	42,945
Ohio	12,623
Illinois	11,213
Washington	11,131
Missouri	10,452
Connecticut	9,602
Maryland	9,229
Mississippi	8,525
Pennsylvania	8,279
Arizona	7,568
Massachusetts	7,258
Iowa	6,598
Oregon	6,361
Texas	6,309

State	Total Fraud Overpayments
California	\$97,370,357
New York	\$50,683,236
Illinois	\$25,164,189
Pennsylvania	\$19,613,817
New Jersey	\$19,101,767
Washington	\$16,512,793
Texas	\$13,451,995
Missouri	\$13,258,464
Ohio	\$10,218,786
North Carolina	\$8,126,535
Massachusetts	\$7,945,968
Oregon	\$7,765,753
Minnesota	\$7,316,355
Connecticut	\$6,482,280
Maryland	\$6,358,938

Analysis

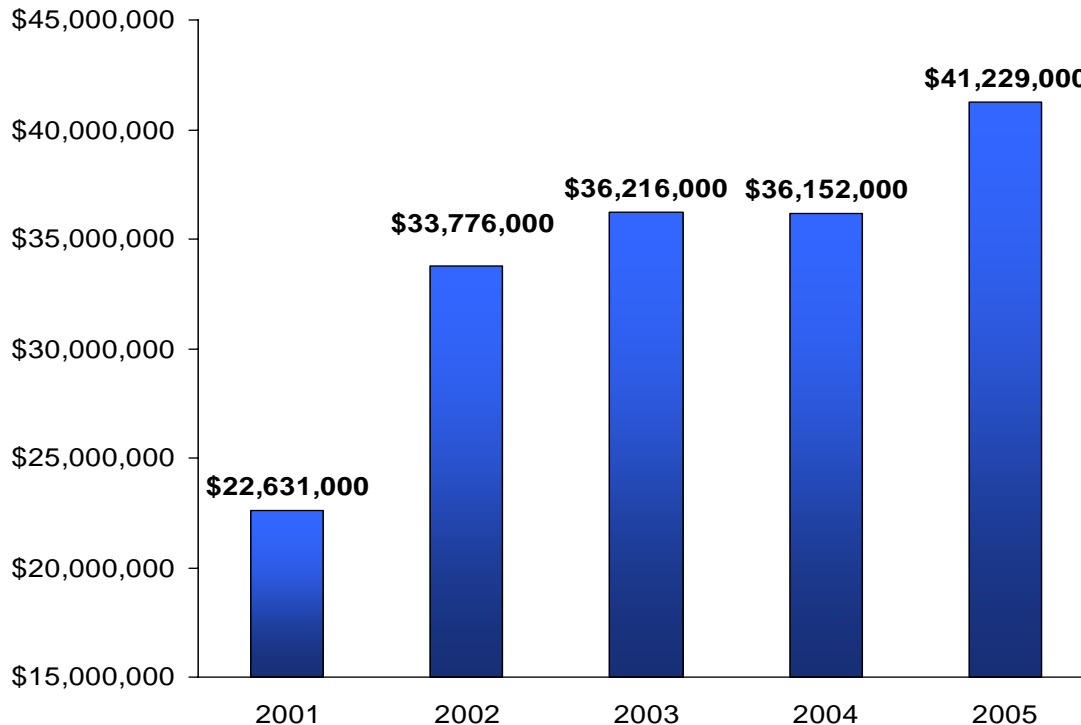
Washington ranks high among states in the detection of fraud.

These tables display the top 15 states in the number of fraud cases and total fraud overpayments.

Unemployment Insurance Claimant Compliance

What has ESD done to increase overpayment recoveries?

ESD increased collections by 82% from 2001 through 2005



Contributing Factors

- National “New Hire Directory”
- Improved processes, i.e., Predictive Dialer virtual calling to claimants
- Automated report handling
- Increased staffing

Future Automation Plan

- Debit/Credit card: will provide new payment options for claimants
- Imaging: electronic mail handling will move 750,000 pieces of paper annually from manual sorting and handling to an automated process.
- Automated account processing: will provide more effective account management

Data Notes: *General Unemployment Insurance Development Effort (GUIDE) ETA227 and G5205 reports.*

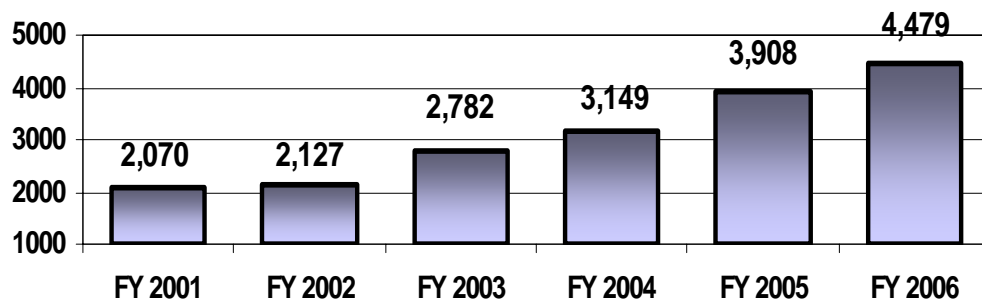
New Hire Directory: National New Hire Directory is maintained by the Office of Child Support Enforcement, U.S. Health and Human Services.

Predictive Dialer: an automated telephone calling system used to connect claimants with collection staff.

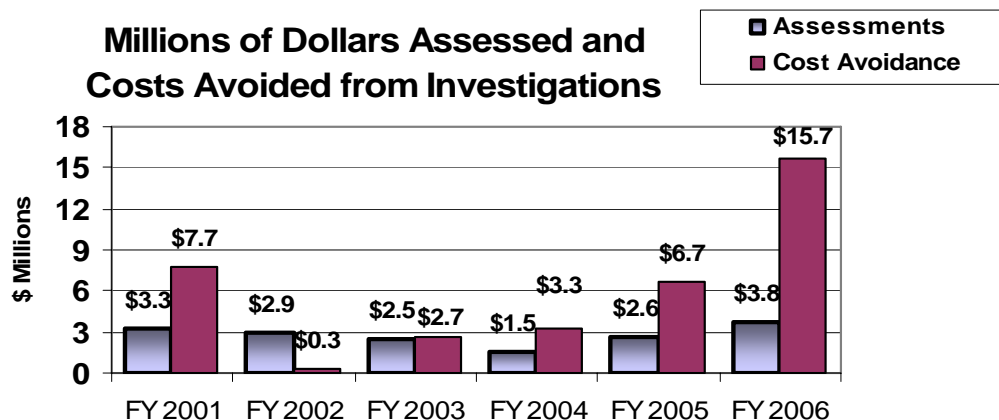
Department of Labor and Industries

L&I investigates claims and finds worker fraud

Investigations Completed- All Types



Millions of Dollars Assessed and Costs Avoided from Investigations



Analysis

- L&I's anti-fraud efforts ramped up with legislation in FY2004, and in FY2005, the newly established fraud prevention/compliance program.
- 8 new investigator positions were added during FY2004 and FY2005.
- Completed investigations increased by 42% from FY 2004 to FY 2006.
- Calculation of cost avoidance changed:
 - Prior to FY 2005 cost avoidance was calculated only for one year.
 - Now calculated on the life of the claim. Example: Stopping payments on a pension with a young claimant would result in a larger cost avoidance.

Department of Labor and Industries

Fraud Outreach and Detection Activities

Outreach and Education

- L&I's outreach and education activities build public awareness of compliance actions and help those who use the workers' compensation system to follow the law:
 - Presented information at small business roundtable throughout the state. These events significantly increased employers' awareness of what L&I is doing to prevent and detect fraud.
 - L&I presented 13 training sessions to 338 employers across the state. The sessions explained L&I's anti-fraud actions, and educated employers on paying proper premiums and understanding prime contractor liability.
 - Developed and launched the *Verify Workers' Comp Premium Status* online search. The system allows users to find out if a particular business has an active account. There are 33,613 registered users. The system also allows users to track individual businesses so users are notified by e-mail if the business falls out of compliance. Tracking requests average 125 per day.

Detection

- **Improved fraud hotline:** Changed from an automated system to one answered by L&I staff.
- **Better web site:** Simplified the reporting forms, making it easier for the public to report fraud online.